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ABSTRACT

State education agency personnel in 48 states were surveyed regarding current financing practices that would positively affect small school districts. One-half of the states were found to currently provide some type of additional operating revenue to small schools or school districts through pupil weighting, identification as geographically isolated, or similar mechanisms in the state aid distribution system. Fewer states provided other forms of supplemental revenue to small districts. Small schools in a majority of states were found to be provided with sufficient funds to transport rural pupils. Most school districts did not have access to or use of the property tax levy to a greater degree than larger districts. Provision of money in the form of categorical aid or grants to encourage/sponsor shared services between school districts was found to be limited. Suggestions for further research included more accurate description of mechanisms for funding small schools, analyzing impact of existing aid distribution systems, and identifying alternative funding sources/mechanisms that are not currently being employed. Tables of survey data are placed in the text. (LFL)

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FINANCING RURAL EDUCATION

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FINANCING RURAL EDUCATION

> Small schools in sparsely settled sections need extra allowances [of state aid]. Such schools have more classes for a given number of pupils than do large schools . . . so an adjustment must be made.[1]

> Many school districts with small enrollments and limited programs now face almost insurmountable difficulties as they attempt to offer improved educational opportunities for a declining population.[2]

> Superintendents of small school districts see the lack of adequate financial support as the greatest single need in their districts. . . . Comments made by the superintendents tend to reflect a real concern to find ways to improve their schools with limited and decreasing resources.[3]

The preceding statements all contain the same concern, even though they were made in three different publications over a period of forty-four years. The fact that small school districts face difficult problems, then, is not new and, in fact, the current problems are not much different than those of years past. Among those problems are high per-pupil costs, inefficient use of resources, limited curriculum, and the recruitment and retention of adequate staff. These are significant barriers to the provision of quality educational opportunity which could, in some instances, be resolved by reorganization into larger school districts. There are some small school districts which cannot, because of geographical considerations and/or sparsity of population, be reorganized into larger, more efficient units. Other small districts also will not be reorganized because of social, political, and educational concerns.

The tide of consolidation and reorganization has ebbed in many states. In fact, long-time advocates of consolidation in some states have conceded the futility of continuing to support that action in the face of widespread opposition, particularly in rural areas.[4] There will, and should, continue to be small schools and small school districts. State legislatures and education agencies, then, must make provisions for adequate financial support so that students in those schools will be able to secure adequate educational opportunities. This paper reviews the unique problems faced by rural schools, explains the necessarily higher cost per pupil of quality rural education programs, and provides data regarding the current status of such state financial support for small schools.

Small School Problems

Discussions of the problems facing small school districts in America generally include high costs per pupil as a major problem or as a consequence of other problems.[5,6,7] When enrollments are small, there is a difficult choice: offer classes with very low pupil-teacher ratios or not offer the classes at all. These low pupil-teacher ratios more than offset the typically lower teacher salaries in small districts.[8] Even when small districts develop cooperative programs to share instructional resources, transportation and other expenses continue to create relatively high per pupil costs. Small districts also have transportation, energy, and other fixed costs which are higher on a per pupil basis than in larger, more "efficient" districts. As Johns, Morphet, and Alexander have

noted, these effects on per pupil costs are even greater at the high school level than at the elementary.[9]

Closely related to costs is the concept of efficiency of operation -- the ability to achieve greater educational output per unit of resource input. Greater efficiency is possible in larger districts because of larger classes which provide the ability to allocate fixed costs over a larger enrollment base, to offer a greater variety of classes with higher pupil-teacher ratio, and to provide a more specialized instructional staff at a lower cost per pupil. Jonathan Sher conceded that small school districts have higher costs per pupil but strongly rebutted the implication that small schools are inefficient. He regarded higher costs per pupil in small districts as "one of the economic facts of rural life rather than as evidence of wastefulness."[10]

Curriculum is another problem area for small school districts. As noted above, these districts must choose between high costs per pupil or limited course offerings. Limited revenues often dictate the unfortunate choice of a limited curriculum. Past studies of enrollment and course offerings have indicated that minimum high school enrollments need to be greater than fifty students per grade in order to offer a "satisfactory" education program![8,11,12,13]

Problems relating to staff also affect small school districts. A 1948 study indicated that "the inadequacies of thousands of small school districts [are] most clearly shown in their inability to attract and keep well-qualified teachers"[14] Years later, another study noted that the "average experience and education level of teachers tends to decrease with decreasing size of districts. This

corresponds with an increased turnover rate in the smaller districts."[8] Teachers in small school districts tend to have a greater variety of classes, more classroom contact hours, and lower salaries than their counterparts in larger districts.[8,15]

These problems are of major significance to the provision of educational opportunity to those students in small school districts. They seem to be insurmountable, but there are alternative courses of action being recommended to state policy makers.

Solutions to Small School Problems

Suggested actions to solve the different problems of small school districts are even more numerous than the suggested problems. There seem to be four major types of activity which are often recommended in efforts to "help" resolve small school problems: interdistrict cooperation, formation or expansion of intermediate or regional education agencies, school district consolidation or reorganization, and increased state aid. Each of these solutions, naturally, has potential tempered with problems.

Interdistrict cooperation can reduce costs in small school districts through the process of sharing. Students, teachers, administrators, and facilities may be shared through interdistrict transportation and other means to increase student-teacher ratios and other measures of efficiency. Similarly, technological delivery systems for instruction, such as satellite communications, computer networking, or cable television, may allow small districts to expand their programs at a more reasonable cost. However, the

non-technological sharing systems usually require geographical proximity and mutual agreement on education goals and objectives, as well as on more specific details such as course schedules, transportation, and sharing of costs. Technological systems at the present time provide limited course offerings on a generally infrequent schedule with high equipment and other start-up costs. For many districts, interdistrict cooperation is, without additional funding, a limited opportunity.

Regional or intermediate educational service units can be of great assistance to small school districts. The provision of services such as cooperative purchasing, consultants, and media centers can bring cost-effective benefits to these districts. A regional unit cannot, however, increase enrollment or eliminate geographical isolation. Nor can such a unit efficiently provide specialized staff or services to small districts in sparsely settled areas at a relatively low cost.

Consolidation or reorganization of small school districts is a controversial, emotional, and questionable solution to those districts' problems. Persons who have promoted consolidation have pointed out that such redistricting would provide more uniform tax bases, more efficient operation, and lower costs per pupil.[9,12,16] Opponents have argued that transportation costs, reduced opportunity for student participation in school activities, loss of a major community institution, and higher pupil-teacher ratios may outweigh whatever benefits might accrue to a reorganized school district.[10,17] The acceptance of consolidation and/or reorganization as a solution to the problems of small school districts is certainly not unanimous.

The obvious solution to most small school problems is money. If small school districts receive supplemental revenue from the state, then the incrementally higher per pupil costs of quality educational programs can be met through the combination of local and state funds. A number of states, as will be seen later, already provide such "sparsity aid" in their school revenue distribution systems. Critics of supplemental aid to all small schools argue that such aid has been given "under conditions that have subsidized ineffective and inefficient administrative units."[18] "Experience with state formulas that make provision for the extra costs due to sparsity has shown that great care should be exercised to avoid providing financial incentives for school districts to maintain unnecessary small schools."[6] On the other hand, supporters of rural education consider larger per-pupil revenues to be an essential and deserved device to support the higher per-pupil costs in small schools.

> There is a significant amount of data indicating that there are numerous educational advantages inherent in the small numbers of pupils in our many small school districts. However, we are not providing those districts with the resources they need to take full advantage of their inherent strengths and at the same time overcome the problems associated with smallness. The pupils in those school districts will suffer increasing disadvantages as they move towards higher education and other post high school education if they do not receive high quality instruction . . . [therefore,] the factor . . . that determines how much extra money will go to the smaller districts should be substantially increased -- perhaps doubled or even tripled.[4]

Procedure

This study involved a survey of state education agency personnel regarding current financing practices that would positively affect

small school districts. The questions posed to the state agency personnel were as follow.

1. Does the school funding formula in your state allow for variable per-pupil weighting factors based on school (or district) size? If not, is there some other mechanism in the funding formula to effect the same result -- the provision of additional revenue to small schools and/or districts?

2. Are geographically isolated (small but necessary, remote) schools and/or school districts provided with supplemental revenue by the state?

3. Does your state's transportation aid formula include additional funding based on sparsity (density of population, distance between schools, students per mile)?

4. Does your state provide supplemental funds to small schools to encourage planning and/or cooperative or sharing arrangements (shared staff, administrators, programs, facilities)?

5. Do small school districts have access to levy authority beyond that available to other districts?

6. Do small school districts use excess levy authority, if available, to a greater degree than larger school districts?

7. Does your state's funding formula contain a guarantee for small schools or school districts which might, for example, establish a minimum number of pupil units or classroom units for each qualifying school?

Responses to this query were received from 48 of the 50 states. In many instances, the answers to the questions above were not simple "Yes" or "No" but involved lengthy explanations of situations that did not directly fit the definition in the question. Hawaii and Alabama were the only states from which responses were not obtained following two separate requests for data.

Findings

In analyzing the results of the survey, it was found that half of the states for which data were reported provided some mechanism for the provision of supplemental general operating revenue to small schools or districts and/or to geographically isolated schools or districts. Lower numbers of states reported other forms of revenue support for small districts.

The following tables were developed from the survey responses. In a number of instances, it was necessary to read through material which accompanied the survey return (or which were sent instead of the survey) or to examine library copies of state finance materials to provide a "Yes" or "No" to the survey questions. The vast array of distribution systems necessitated some interpretation and expansion of the initial scope of the survey question in order to provide an accurate indication of the current state of school finance as it regards small schools. In addition, question 7 was omitted from the analysis because of lack of response to that item by some and apparent confusion over its content by others who responded.

Table 1

Responses to Questions 1 and 2:
Provision in the School Funding Formula for
Additional Revenue Based on School or District Size

	Number of States		Percentage of States	
Issue	Yes	No	Yes	No
Supplemental Revenue Based on School or District Size	19	29	39.6%	60.4%

Supplemental Revenue Based on Geographical Isolation	16	32	33.3%	66.7%
Supplemental Revenue Based on Either School or District Size or Isolation	24	24	50.0%	50.0%

As can be seen in Table 1, 39.6% of the states were reported to be providing supplemental revenue through pupil weighting or similar mechanisms in the state aid distribution system. Provision of similar revenue to schools or districts identified as being geographically isolated ("remote", "small but necessary") was reported in the state aid distribution systems of 33.3% of the state's reponding to the survey. Combining the two factors and eliminating duplication reveals that exactly 50% of the states

provide either one or both forms of supplemental revenue to those qualifying rural school districts.

Table 2

Responses to Questions 3 and 4:
Provision of Categorical Funding for
Transportation or for Cooperative Planning
for Small Schools or School Districts

Issue	Number of States		Percentage of States	
	Yes	No	Yes	No
Categorical Aid for Transportation Based on Sparsity	16	32	33.3%	66.7%
Categorical Aid for Planning and/or-Cooperative Programs	9	39	18.8%	81.3%

Table 2 contains data indicating that while 33.3% of the reporting states based all or a portion of their categorical pupil transportation aid on sparsity, only 18.8% of the states provided a categorical aid or grant program to encourage small school districts in planning and/or operation of cooperative or other sharing arrangements. A number of states were reported to provide substantially the full cost of transportation, thus diminishing the need for supplemental aid based solely on sparsity. With this consideration, it may be assumed that small schools in a clear majority of states are provided with sufficient funds to provide transportation to their rural pupils.

Table 3

Responses to Question 5:
Use of Excess Levy Authority by
Small Schools or School Districts

Issue	Number of States		Percentage of States	
	Yes	No	Yes	No
Access to Levy Authority Beyond That of of Larger Districts	3	45	6.3%	93.8%
Use of Available Levy Authority to a Greater Degree Than Larger Districts	2	46	4.2%	95.8%

As shown in Table 3, the number of small school districts which have access to additional levy authority beyond that of their larger neighbors is severely limited in the reporting states with only 6.3% indicating that such authority is provided. An even smaller proportion, 4.2% of the surveys returned, report that small schools are likely to use levy capacity to a greater degree than larger districts.

Conclusions

One-half of the states are reported to be currently providing some type of additional operating revenue to small schools or school districts. To a lesser degree, states provide additional forms of supplemental revenue to these educational enterprises. Considering

the large number of states which continue to report small school districts, the number of those providing the necessary supplemental financial aid certainly could, and probably should, be greater. However, when one considers the fiscal restraints on state legislatures, the vast array of services for which funding is sought, and the relative declining political influence of rural areas, it can be understood that this type of funding may be given a relatively low priority in a number of states.

The provision of money in the form of categorical aid or of grants for the purpose of encouraging and sponsoring the planning and operation of cooperative instructional delivery systems and other shared services between school districts, although somewhat limited today, should be encouraged. The experiences of districts which do share programs and services and the increasing array of technological delivery systems provide ample incentive for state support.

Access or use of the property tax levy to a greater degree by small school districts was found to be a relatively rare occurrence. However, considering the effects of excess levy authority on the equity issues in school finance, it is probably to be expected.

For future research, there appears to be a need to more accurately describe the various mechanisms for funding small schools, to analyze the impact of existing aid distribution systems, and to identify alternative funding sources or mechanisms that are not currently being employed.

As Austin D. Swanson reported twenty years ago, and which is just as true today as it was then,:

> The total cost [of supplemental aid to small schools] is insignificant when compared with the total monies appropriated for education. . . . to those districts requiring such aid, however, it often means the difference between an adequate educational program and a highly inadequate one.[19]

Our efforts to assist the rural students of our country in acquiring quality educational programs through the provision of sufficient revenue must continue. Rural America is not an insignificant part of our country -- it is the backbone, the spirit, and the conscience of these United States.

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